

Service Date: August 5, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the Application)	
of the MONTANA POWER COMPANY for)	UTILITY DIVISION
Authority to Enter Into a Financing)	
Lease With Respect to the Acquisition)	DOCKET NO. D97.7.132
and Installation of an Automated Meter)	
Reading System.)	DEFAULT ORDER NO. 5997

On July 25, 1997, The Montana Power Company (Applicant or MPC), a corporation organized and existing under the laws of the state of Montana, filed with the Montana Public Service Commission (Commission) its application pursuant to Montana Code Annotated (MCA) §§ 69-3-501 through 69-3-507, seeking an order authorizing MPC to enter into a financing lease with respect to the acquisition and installation of an automated meter reading system.

The application is supported by exhibits and data in accordance with Commission practice and rules and regulations.

The application states that MPC is a public utility as defined in MCA § 69-3-101, in that it furnishes electric and natural gas service in the state of Montana; that MPC's principal executive office is at 40 East Broadway, Butte, Montana; and that MPC is duly qualified to do business in the states of Montana, Wyoming and Idaho. For detailed information with respect to the general character of MPC's business and the territory served by it, reference is made to the application.

FINDINGS

MPC is a corporation organized and existing under and by virtue of the laws of the state of Montana and is qualified to transact business in the state of Montana.

MPC is a public utility as defined in MCA § 69-3-101 and is engaged in furnishing electric and natural gas service in the state of Montana.

The Commission has jurisdiction over the subject matter of the application pursuant to MCA § 69-3-501.

The application states that MPC intends to enter into a lease transaction to finance the acquisition and installation of an automated meter reading system (the “Leased Assets”). The acquisition cost of the Leased Assets, together with the capitalized installation costs, capitalized fees and transaction costs to be so financed, will not exceed \$20,000,000. The transaction will be structured as a debt financing for tax purposes whereby the Applicant will retain the tax benefits associated with ownership of the assets, including depreciation and interest deduction. For financial accounting purposes, it is expected that the transaction will be considered an operating lease and the lease payments will be considered an operating expense. Notwithstanding the expected financial accounting treatment of the proposed transaction as an operating lease, the terms of the transaction may justify the characterization of the transaction for purposes of M.C.A. Section 69-3-501 as the issuance of debt securities by the Applicant secured by a purchase money lien on the financed assets.

Public notice of this application was given by its inclusion on the Commission’s agenda for July 28, 1997.

MPC has furnished complete financial data with its application in accordance with the developed practice of the Commission. The application has been amended with a certified copy of the appropriate corporate resolutions pertaining to this matter, which were adopted on July 31, 1997.

CONCLUSION OF LAW

1. The authorization to enter into a financing lease with respect to the acquisition and installation of an automated meter reading system proposed by the application, as authorized by this Order, will be for a lawful purpose and is consistent with the public interest and is necessary for appropriate for and consistent with the proper performance by MPC of service as a public utility in the state of Montana.

ORDER

1. The application of MPC for authority to enter into a lease transaction to financing the acquisition and installation of an automated meter reading system, the cost of which, together

with capitalized installation costs, capitalized fees and transaction costs, will not exceed \$20,000,000, and in connection therewith grant a first priority lien, subject only to certain permitted liens, on its interest in the Lease Assets and certain ancillary rights, is approved.

2. In accordance with MCA § 69-3-507, nothing in this Order, nor any other act or deed done or performed in connection therewith, shall be construed to obligate the state of Montana to pay or guarantee, in any manner whatsoever, any security authorized, issued, assumed or guaranteed under the provisions of MCA §§ 69-3-501 through 69-3-507.

3. Issuance of this Order does not constitute acceptance of MPC's exhibits or other material accompanying the application for any purpose other than the issuance of this Order.

4. The approval of this lease transaction shall not be construed as precedent to prejudice any future action of this Commission.

5. To the extent metering and billing evolves into a competitively provided service, MPC's shareholders shall bear sole responsibility for any unrecoverable costs that arise.

DONE IN OPEN SESSION at Helena, Montana this 4th day of August, 1997 vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

DAVE FISHER, Chairman

NANCY McCAFFREE, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.